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for Parents**

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Allowances

Allowances can be a source of conflict between parents and children. Kids want allowances! But parents aren't so sure. (Can their kids handle the responsibility, what age should allowances start, and how much is appropriate?) One survey from Zillions magazine found that kids who do not receive an allowance have access to about as much money as kids who do get an allowance. The key is that allowances give parents a way to track the money they give to their children while teaching them financial responsibility. Here are tips for giving your children allowances.

When to Start

Most experts think kids should start getting an allowance when they are 5 or 6 years old. By this time your child is starting kindergarten. They should understand the concept of money. They should be able to count, as well. If they are capable of grasping these two ideas, then they are old enough to begin learning how to spend, save, invest, and donate money. If the child is older, it is never too late to start.

How Much to Give

The purpose of an allowance is to teach your child about financial responsibility. As Janet Bodnar, author of *Dollars & Sense for Kids*, puts it, "When setting an allowance, you should give enough so that your children can squander it, but not so much that you'll be upset when they do." Decide what you expect your child to purchase with his or her allowance: snacks, movie tickets, etc. Older children should have more to pay for with their allowance than younger children. A reasonable guide might be a weekly allowance that's equal to half the age of your child. Therefore, a 6-year-old would get \$3 a week and a 12-year-old would get \$6 a week.

Paying for Chores?

Most experts discourage giving an allowance in exchange for completing regular chores. Kids should do chores such as cleaning their room and doing the dishes to feel like they are a vital part of the family. If you want to pay children for chores, then the experts recommend keeping a list of chores and how much each is worth. Inspect the work the child has done and then pay the child immediately after the job to connect work with pay. Or, if the child wants a little extra income, you can pay him or her to do the jobs that you might pay someone else to do like washing the car, raking the leaves, or shoveling the driveway.

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What to Use the Money For

Help your kids learn what the allowance is for by following some professional advice. American Bankers Association Family Finance Adviser Neale Godfrey recommends that you help your child divide the money he or she earns or receives. Use four separate labeled containers that say, “10% Charity,” “30% Quick Cash,” “30% Medium-term Savings,” and “30% Long-term Savings.” Teach your kids to donate with the Charity jar. They can pick the charity of their choice. The child can use the Quick Cash for items that you have agreed he or she will pay for and instant gratifications. The Medium-term Savings is for 1-6 month periods of saving for something special. The Long-term Savings is for future goals like college. The percentages represent how much of the child's allowance should go to each jar. You can change these to fit your and your child's goals.

You can even sit down with your child and help them make a monthly budget including all expenses, donations, savings, and fun purchases. Budgets can lead to thrifty kids as they watch where all their money goes and see how they can save pennies here and there.

